



COUNTY OF ERIE
STEFAN I. MYCHAJLIW
COMPTROLLER

April 29, 2013

The Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Honorable Mark C. Poloncarz
Erie County Executive
95 Franklin Street
Buffalo, New York 14202

Dear Honorable Members and County Executive Poloncarz:

Enclosed are copies of the audited financial statements and management letter for Erie Community College ("ECC") for the fiscal year ended August 31, 2012.

If you have any questions regarding the enclosed, please contact me at 858-8404.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stefan I. Mychajliw".

Stefan I. Mychajliw
Erie County Comptroller

SIM/nr
Enclosure

cc: Robert W. Keating, Director, Budget and Management
Jack F. Quinn, Jr., President, ECC (without Enclosure)
Erie County Audit Committee Members

Certified Public Accountants

March 19, 2013

The Board of Trustees of Erie Community College
and Audit Committee of the County of Erie

Dear Trustees and Committee Members:

In planning and performing our audit of the financial statements of Erie Community College (the "College") an educational institution of the County of Erie, New York, as of and for the years ended August 31, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting ("internal control") as a basis for our designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 19, 2013 on the financial statements of the College. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in Exhibit I.

We also summarized new reporting requirements in Appendix A. These should be evaluated to determine the extent to which the College will be impacted in the future years.

This communication is intended solely for the information and use of the College's Board of Trustees, the Audit Committee of the County of Erie, management, and others within the College and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink that reads 'Drescher & Malecki LLP'.

Economic Environment

The events within the overall economy have resulted in many challenges that have affected local municipalities and colleges. Rising costs and lost revenues have contributed to an environment in which colleges are facing both current and future economic difficulties. Some of these economic events include:

- Decreasing interest rates—Interest rates have fallen drastically over the last few years, resulting in significantly lower interest revenue.
- Decreasing federal aid—Federal funding has declined over the recent years, resulting in significantly lower grant revenue from Recovery Act, Pell and Perkins awards.
- Health insurance—Rates for health insurance have significantly increased, as a result of increased healthcare costs.
- General insurance—Rates for general insurance have significantly increased as a result of the poor economy.
- Retirement system—The New York State Retirement System has significantly increased employer contributions.
- General wage increases—Personnel expenditures account for a significant portion of total expenditures. Raises provided to employees will result in an overall increase in personal expenditures, and will impact certain employee benefits as well.

While there are certain areas noted above where the College has no control and cannot be proactive to address the situation (i.e., reimbursement rates, federal programs, etc.), we recommend the College to continue identifying areas where options may be available and costs may be reduced, such as: consolidation of services, elimination of services, initiating new fees revenues, and wage concessions.

Untagged Capital Assets

In response to prior years' audit suggestions, the College has reviewed its untagged capital assets listing. At August 31, 2011, the College maintained \$9,666,963 of untagged capital assets. At August 31, 2012, the College has reduced that amount to \$1,270,268. Although assets are tracked in the untagged assets listing with cost, useful life and applicable depreciation, they are not included within the College's Datatel computerized operating system record of capital assets; thereby, increasing the potential for misappropriation and/or misstatement of capital assets.

We recommend that the College continue to perform an annual inventory of capital assets to verify the existence and location of all assets, including the remaining untagged capital assets population, as well as assure their proper identification with the asset tags provided to the applicable departments upon asset acquisition. Upon completion of the inventory, the College should update the Datatel capital assets records to accurately reflect the assets maintained and those that have been disposed of.

NEW REPORTING REQUIREMENTS

The Governmental Accounting Standards Board (“GASB”) has adopted several new pronouncements, which may have a future impact upon the College:

GASB Statement No. 61—The College is required to implement GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, for the year ending August 31, 2013. This statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.

GASB Statement No. 66—The College is required to implement GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, effective for fiscal year ending August 31, 2013. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 67—The College is required to implement GASB Statement No. 67, *Financial Reporting for Pension Plans*, effective for fiscal year ending August 31, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans.

GASB Statement No. 68—The College is required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal year ending August 31, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 69—The College is required to implement GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal year ending August 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.



(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Basic Financial Statements and Required Supplementary Information
for the Years Ended August 31, 2012 and 2011,
Supplemental Schedules and Federal Financial Assistance Schedules
for the Year Ended August 31, 2012 and Independent Auditors' Reports